

Internal Globalization of Western Balkan

Veselin Vukotić*

Summary: What are potential and real effects of the globalization process on the economic connection between Western Balkan countries? What is the crucial change in relations between Western Balkan countries and its economies inexorably brought by globalization? What are the elements of political economy of Western Balkan globalization? What are reflections of the conflict between political and economic areas of Western Balkan? These are some of the issues discussed in this paper.

Key words: Globalization, Market, Power, Competition, Transparent borders

JEL: F02

1. Main idea of paper

What are potential and real effects of the globalization process on the economic connection between Western Balkan countries? What is the crucial change in relations between Western Balkan countries and its economies inexorably brought by globalization? What are the elements of political economy of Western Balkan globalization? What are reflections of the conflict between political and economic areas of Western Balkan? These are some of the issues discussed in this paper.

Conceptual framework of the discussion in the paper is shaped through argument that struggle to attract capital (investment and entrepreneurs) is the key base of the development. The main hypothesis can be stated as follows: if capital flows go around one country or a region, that country or region is destined to lag behind in today's era of globalization! That's why competition among countries in attracting foreign investments becomes the essence of globalization. Indeed, globalization means nothing but building transparent paths for mobility of capital flows.

The meaning of this in practice is that classical concept of national states is on its way to become history! Is Western Balkan, inseparable from its culture, tradition, history and current political situation, ready to modify the concept of national state and everything that goes along with it? Concept of internal globalization of Western Balkan is completely coordinated with the idea of globalization and integration of this territory in EU. The idea of internal globalization of

* School of Economics, University of Montenegro; Institute for Strategic Studies and Prognoses (ISSP) – Podgorica; Institute of Social Sciences – Center for Economic Research – Belgrade. vukotic@cg.yu

West Balkan, i.e. regional integration before accession to EU is supported by two practical reasons: 1) The time we need to become members of EU is not going to be short, and we should use that time efficiently, 2) It is essential preparation of the region to globalize and integrate with EU.

2. Current level of internal globalization

There are no any clear and obvious indicators on the level of integration between West Balkan economies (when I say West/ern Balkan I refer to the countries of former Socialistic Federative Republic of Yugoslavia (SFRY) – Slovenia + Albania). Countries on this territory are less integrated today than ever during the history. The integration between Western Balkan countries was much stronger in the time of Ottoman Empire; especially in the time of ex-Socialistic Federative Republic of Yugoslavia than today.

Some analysis could lead us to the conclusion that economies of these countries are so “parallel”, that if their economic structure remained the same, more intensive mutual trade wouldn’t be possible. That’s why much more effort should be made in order to integrate these countries into EU, then to establish regional trade agreements. But, internal integration and activities aimed to create regional market of Western Balkan would accelerate economic development of all countries on this territory. Internal integration is especially important for regional market of energy, services, education, tourism, etc. Regional integration would increase mobility on the labor market. Similarly, market of 25 million people would be economic base for creation of “regional concerns” (trade chains; banks; insurance companies; universities; etc.). We shouldn’t forget that joining EU won’t bring us market by itself. EU doesn’t mean that we can live the life out of competition. On the contrary, competition on EU market is very strong! That’s why higher level of integration in Western Balkan is strong incentive for development and competitiveness’ increase of all countries on this territory.

3. Cultural and historical circumstances important for internal globalization of Western Balkan

When we say Balkan, the word usually reminds us to divisions and disintegration; it is synonym for provincial spirit. Balkan has always been war field and teemed with conflicts! Some facts presented in excellent study of Belgrade’s philosopher Dragan Lakicevic “Archipelago Balkan” can influence (un)reality of main idea behind this paper.

The largest part of Western Balkans was part of Ottoman Empire for more than 5 centuries. Analysis of political institutions of Ottoman Empire indicates on disaggregated political structure. It was an autarchy system where each element of political structure depended on the sultan himself; the same principle

was valid for lower authority levels. Permanent lack of legal regulations, arbitrary character of authorities and the discretionary power to treat all subordinated in hierarchical structure according to personal attitudes and beliefs – were main features of life on this territory (D. Lakicevic, pp. 37).

While Hellenic right built in social structures of Western countries provided relative stability of position for aristocracy, in the time of its expansion Ottoman Empire was characterized by permanent competition for benefits and property brought by position in authority. State was understood as source of personal wealth, and this relation becomes permanent feature of authorities and governing structures on Balkans. The way people understand authority is a consequence of the way people understand the role of state. Authority is something immoral; authority is the force and the power! Authorities do what they want and it wouldn't be desirable and appropriate to critically examine their activities. While whole Western political tradition was largely devoted to examination whether the authorities has legitimacy to rule, Eastern world (oriental despot states, as well as orthodox medieval states) consider authority untouchable.

„Untouchable authority of oriental monarch strengthened under influence of people who surrounded monarch: third-rate, inferior persons, people who lack personal attitude; without dignity and easy to be manipulated. It is the way to conduct any state job, and the psychology of power which hasn't change up to today “(D. Lakicevic, pp. 38).

According to Cvijić, this type of governance develops special psychophilosophical features of people who live in this area. He outlines primarily characteristic of slave psychology and moral mimeries. „Character of these people shows submissiveness and obedience, sense to search for things, realistic understanding of life, and hidden animosity toward masters.”

When we speak about mass psychology, not too much has changed except for disappearance of foreign domination. As Lakicevic emphasizes, the relation authority-subordinated can be described today as same as before. Long isolation of village population, stereotype ways of life, closed society, and protection from outside influences caused almost inborn resistance of people toward any kind of change. As a consequence, so called passive redistribution has developed in society in form of shrewdness, cunning, distrust in authority, and xenophobia toward foreigners.

Behavior is based on patriarchal principles. Recidivisms of patriarchy are recognized in close history. Authoritativeness of attitudes in ex-SFRY was on high level and ranged from 40% of population in west part of state, to 80% of population in eastern and southern parts of the country. That's why the story on universal moral disperses as soap bubble; authority of leader play dominantly protective role for population, similar to the role of family's head in household. “These are certainly bad assumptions if we want to establish modern state guided by universally accepted, abstract moral principles.” (Lakicevic, pp. 50)

Discussion about the essence of globalization, influence of globalization on the way of thinking, economic policies, and the role of state in contemporary world, which are presented in this paper, might give us the answer to a question whether this tradition is convenient for internal globalization of Balkans or not.

4. Globalization and changing the source of power

The key cause of globalization is the necessity for free movement of capital in global dimensions! The key consequence of globalization is the transformation of classical national state toward its complete abolishment. What does each of these things mean in context of regional, Balkans integration?

Globalization is the synonym of the world market and global, world economy! But, it is much more important if we realize that globalization brings changes in power structure on global and national stage! Globalization replaces old game of power and evolutionary establishes the rules of new game of power.

Capital i.e. investment and multi-national companies have the key position in the new game of power! Where is the source of such mega-power of capital? At the very beginning of transition process a title showed up in East European newspapers: We are forgiving the Crusaders; we are expecting investors! Stated differently this means: let's forget enmity, and do business! This attitude gave birth to a root of new, different power - power of capital. Capital power has replaced military power, political power, imperialistic and colonial power, all of which formed bases of pre-globalization era.

Prevailing thought in the past was how to avoid entrance of foreigners and foreign companies in domestic economy in order to prevent and keep national state and national market. Today, fear that foreign investors might not come in the economy prevails. In old game of power economy was under force of threatening entrance of foreigners; today it is under force of threatening absence of investors or their threatening departure from the country. We are in situation when there is only one thing considered to be worse than entrance of multinational companies into national market: it's nothing but the possibility multinational companies will go around the country and won't enter national market.

New power is not based on force; it's not dependent on the ultimatum to impose your will to the others. That's why new power structure is more dynamic, and less static. New global power structure is featured with higher level of mobility; it doesn't depend on place and time, but is "globally efficient". This leads us to the conclusion that main source of power in global economy and global market is possibility not to do anything, i.e. not to invest in certain countries, without need to justify that non-investing publicly.

Essential element of the process which crystallize global economic power today (global market) is not imperialism (conquering), but non-imperialism (non-conquering). There is no globalization element, which is controlled by democratic institutions, parliaments, governments... We don't need military mobi-

lization any more. Foundations of global economic power are completely different from the sources of power of national state: democratic elections, public legitimacy and monopoly over means of force. The formula of power of transnational economy lies in purposed, aimed non-conquering. That invisible “no”, non-forced, but omni-present “no” doesn’t bind anybody on assent. That potential “no” is the source of mega-power today! I’ll just mention, without detailed explanation, conflict between non-political nature of global market and political nature of national state, which is already visible.

At the end, as Albert Hirschman points out, mega-power of global economy over national state is based on so called exit option that capital (investor) have in digital, not territorial space. This is happening every day, and is a threat that national state could be excluded from global market. Every country in the world, including those on the Balkans, must realize that they could experience investors exercising their exit option, i.e. capital and investments go around them.

Exit option develops competition between countries in attracting global investors and capital flows. Consequently, classical national states, which primarily had been military competitors (army kept the borders on both sides of border lines), are transformed: now the competition takes place in area of economy and market. The key of power is not military force, but a position country has in global market. This means that the power of state, with regard to internal and external political position, must be seen from global market point of view.

„It seems that big analogy exists between military logics of state power and economic logics of state power. The strength of guns and rockets corresponds to the scope and efficiency of investment! Economic logic is different because the treat that you won’t shot increases your power in contrast to military approach; the development of new products and services is equal to the development of new types of arms. Braches of many big companies in the countries all around the world replace military bases and diplomatic networks.” (U. Beck).

It is obvious that instead of cold war or ideology war, now we can speak about one global discourse (prism, optics). As a consequence content of power of national states has changed. It means that the way we understand national state must change. Max Weber said that power of state lies on: a) force, b) military power and interventions, c) democratic consensus, d) instruments of national state law.

All these “important determinants” of state power are founded on territorial principle, meaning that all these processes are happening on the territory of national state! Out of national territory this power doesn’t exist any more. When we speak about authorities territory we refer to its political space! In this analysis we start with assumption that power always and necessary lies on the right to use the force! Trocky said: „Each state is founded on its right to use the force!”. Max Weber confirms it „It is really the truth” (according to U. Beck). Using force and territorial principle are indeed limiting power of state because using force has one major weakness - inflexibility!

In contrast to national-state approach, global economy is founded on non-territorial principle. Instead of power on limited territory now we speak about the power of non-limited territory. This power is not based on the right to use force, as in case of national state. The power is based on the amount of investment, i.e. on the wealth of economic agents in global economy. Opposite to the right to use force, which can be exercised only in negative context, as punishment, wealth can be used, both, as an award or as a punishment; it has positive and negative dimension. Besides, increase in wealth caused by efficiency and knowledge will enhance flexibility of economic power. New knowledge influence development of new needs, create new markets, develops new technologies; new knowledge can make friends from your enemies. "The knowledge is the power!" (F. Becom) This mean that new element is added to wealth; a new element which increases its global mega-economic power!

However, completely different approach in explaining power is developed in sociology (Richard Swedberg). Power is the way of thinking itself. Power lies in paradigm people use in their thinking and working! According to this approach power can not be described as asset I own, but it is present in social interactions and social activities. Power is invisible understanding of world built into integrity of each human individual. That's why the power of threatening non-investing is omni-present today. And, as Beck points out, globalization is not an option! Globalization is nobody's power! Nobody has started globalization as an individual, nobody can stop it individually; no person is responsible for globalization. The word globalization can be translated as organized irresponsibility according to Beck.

If we try to find someone to complain about globalization, if we want to sue someone, there is no address in the world. There is no institution, no phone number, and no e-mail address! As if everybody feels like a victim of globalization and not an active actor in globalization processes! Is there anybody who thinks that masters of modern concerns can stay calm? They are powerful – but not calm! They all know that there is a large space on the top – but not large enough to sit down! They are dynamically active in order to satisfy owners and stakeholders, but consumers before all! More globalization discourse penetrate all flows of social life, more powerful are the main actors and strategies of global economy, as well as individuals actively involved in implementing these strategies.

According to all previously said national state loses classical shape of power and gets a new one! I would like to emphasize importance of rising transparency of national borders! National border must not be barrier to capital flows! It must provide free flows and mobility of people and production factors. Globalization accelerates the life! Everything is becoming faster due to the modern technologies! As Gidens write in today's world "space is abolished by time" thanks to new media and means of communication! What is the role of borders then? Is the border (understood in classical point of view) only a sign of divisions? Glob-

alization seeks us to live on the borders and not within the borders, doesn't it? The borders should be as porous and full of holes as Swiss cheese! Why national state should lose its „protectionism reflex“?

To conclude, in this part of the paper I emphasize two important features of contemporary time: a) the power of globalization is invisible and is not based on any kind of force but on complete freedom of choice: every state can choose whether it will open itself to capital flows or not, b) free capital flows and power of capital exceeds power of state based on territorial principle and wall-borders!

5. Is internal globalization of Balkan possible?

I believe majority would understand previous part of the paper as very simple and well-known reading. Most readers agree with ideas and principles explained above. But, the most striking fact is that many readers might ask where I see the problem. It just confirms that many people and many economists among them don't understand that globalization is not a process that brings benefits to every single person in the world and necessarily make all individuals better off. Finally, globalization raises one important question; the question of new distribution of power, new redistribution of power in and out of national states!

Globalization opens the door to a new game of power, whereas old games become unreal, even if they are still being played! In any case, old game of power is not possible by itself (this game has many names, for example national state, “national industrial society”, “national capitalism” or “national social state”). Game of power within national state and between national borders is relatively simple. It is similar to navigation of ship in the lake! But, the game of global power is like navigating ship in the ocean! In global game of power new, previously unknown, players can occur at any point of time, as well as new investments, new rules, new resources, new innovation, new conflicts and contradictions. We don't know much! Many things are unknown! Heisenberg's indeterminate principle becomes very important. Nothing can be described as well-known; we can not speak about certainty any more. Nothing is certain! “National (social) states” aimed to *provide security and certainty for all people*. Political goal of so called „socialization of development” was to achieve the highest possible level of *social equality* in nationally homogenous state. However, cultural diversity and social inequality survived and remained one of the most important features of each society in global world. At the same time, authorities in national states were allowed to do anything they've wanted to citizens! Ethnical cleansing is one of the most important problems in the world today and is often source of international isolation.

The discussion given above has a goal to call readers' attention to the need to make first step in globalization of Balkan. At the beginning we should try to change our way of thinking; we should strive to change the way we understand national state and national borders and shape them to the rules of global game of

power. In other words, key issue raised here is whether leading political actors and elites (people who have power today) will accept new redistribution of power, which will no longer be subject of their discretionary influence; completely opposite, existing elites are exposed to the danger to lose or reduce the power they have. Only after we solve this problem, we can discuss the question of techniques (for example: which free trade agreement to sign?). But, it seems that we are captured by discussions on techniques. Even when techniques ground on reefs of power, we are still making conclusions that the techniques must change, and not the structure of power and system that produces that power!

The question raised here is whether globalization within Balkan is possible, despite history and current situation; despite tradition and culture; despite wars, divisions, diversities, provincial spirit and way of thinking resistant to any kind of change. The question can be restated as: Is new distribution of power possible within each of Balkans' states and among them (we should call the things by their name, shouldn't we?).

Maybe this is a good opportunity to recall a letter, which Benjamin Franklin (statesman and diplomat) sent to his European friends in 1787: *„I am sending you text of proposed Constitutions for States of America. I've cooperated with conventions that made this proposal for the period of four months. If it succeeds, I don't see obstacle for you in Europe to reach the goal of good (French) king Henry IV and establish federal union and large republic of all of yours different states and kingdoms through similar conventions, because in order agree on proposed Constitution, we had to reconcile many opposed interests”* (according to U. Beck). “Brussels convention” was created in March 2002 – 215 years after this letter was written. Despite the differences questions on organization of supranational entities remained essentially the same in 18th century when USA was created and in 20th century when EU was created.

Couldn't this be an argument in favor of accelerating processes of internal globalization of Western Balkans? Can we apply same principles and criteria for the internal globalization of Balkans?

Is it possible to built American dream in the institutions of West Balkan? American dream can be stated as: *„You can become somebody else! You are not determined by your origin, class, race, religion or sex! “*

Why don't we, people on Balkan, understand that we can become *someone else?* What is the price we pay for our non-understanding that we can be *somebody else!* Mega economic power will eventually kill us, invisibly and slowly – that is the price of our non-understanding! We'll return to the path of regress and poverty!

World capital will go around us; investors will avoid us, as well as all technical advantages investments are bringing with regard to the technology, science and research. Is nation obstacle to develop the state on Balkan? That question is in core of globalization! This means that national sovereignty is not a card that

wins all games and in all circumstances; that card doesn't necessarily bring development. No, national sovereignty is not enough itself! National sovereignty is becoming part of so called cooperative sovereignty.

National sovereignty and its protection from foreigners, understood as one and only lever of development, will necessarily drive away capital and investment from the country, whereas *limited sovereignty*, or cooperative sovereignty essentially increases power of state. When governments sign legal agreements, each of the governments acts in "supranational space", because all signers' countries must respect and fulfill obligations from the agreement. That's how states start to globalize, similar to the multinational companies.

Is this logic of separating state from nation compatible with the way of thinking in Balkan countries? This question is even more important in the light of fact that Balkan didn't go through the period of Reformation in 16th and 17th century! Reformation was a period during which the state had *separated from the church*! It was traumatic experience, through which the state was separated from the church – that keystone of collectivism for ages! Similar traumatic strength lies in today's reformation and process through which state is being separated from nation; because nation has been basic foundation of collectivism in last two centuries. History has shown that countries with highest rates of economic growth were indeed countries, which were first to separate state from church (England, Netherlands, Germany,...). How strong influence has that message of on Balkans today?

If we admit that we are unconditionally surrendered by global economic mega-power of world market, could we enter the space where our passion for divisions and conflicts will weaken, along with our permanent aspiration to close ourselves and our tendency toward conflict? Main sources of mega power of capital are: primarily, possibilities of new information technology and techniques; then shortening of time horizons; and abandoning physical distance as an obstacle to any kind of activity. Speaking picturesquely, *state has roots; investors have wings*! That new asymmetry between well-rooted (static) and winged (dynamic) form of power enable peaceful conquest of world economy, conquering new areas with no wars. Recall Emanuel Kant's word: „Trade spirit can not coexist with war and sooner or later this spirit self-imposes to *every* nation!" Can Kant thesis on eternal piece in the world be valid on Balkans as well?

Probably, many readers will say that they still don't see the problem! Why can't we, the Balkan countries, achieve all of this in a simple way? As we always agree on principles, let's test the strength of explained ideas on one small Balkan state – Montenegro. I would try to give answer to a question whether such proposals can be really implemented through political mechanisms.

6. Montenegro – the vision of development from angle of globalization

I don't have a goal to outline "comprehensive program and strategy" of development in Montenegro. This part of the paper will primarily focus on our development strategy with regard to social-economic relations, in other words something that could be named political economy. To restate this, I'll primarily focus on that part of new political economy which is caused by globalization. Besides, my analysis contains elements of economic sociology and psychology. For a pretty long period of time I am trying to abandon prevailing approach of economists in explaining events, economic phenomena and institutions by describing what they are! I try to go further in analysis, and thus explore the way on which these phenomena and institutions have arisen, which circumstances brought to the appearance of these phenomena and institutions? But, when speaking about institutions operating in capitalistic countries today, we must not forget the fact that these institutions are working in a mature system; system which is already in delta of a river's mouth. If we speak about situation in Balkan countries, we must keep in mind the fact that we are indeed talking about beginnings of these institutions; we have just started to open the processes of creating those institutions. That's why we should read the books on capitalism origins more then books about current events in capitalism. To conclude, if we want to become a part of global world, we must be able to completely accept processes such as: internationalization, liberalization, universalization, deetatization, deterritorialization and desovereignization (Schoelte, J.A. „Global Civil Society“, London, 2000).

All of these processes lead to globalization and must be either accepted or rejected! Similar to the pregnancy, we can not speak about globalization in small and big doses: either there is globalization, or there is no globalization (woman is either pregnant, or not: we can not speak about more and less pregnant women).

According to this, we must unconditionally accept and start opening processes that form base of globalization. In other words we should: (1) develop consciousness on global interdependence i.e. impossibility to stay isolated and put it in practice; (2) remove all barriers to economic flows and maximally increase economic and political freedoms; (3) accept universal (global) standards and rules; (4) reduce the role of state and bureaucratic system, and transform the role of state according to the requirements of globalization; (5) abandon territorial principle and accept concept of so called transparent borders; (6) national sovereignty is not and can not be one and only lever of development; we should get rid of that myth! State sovereignty can be divided and delegated to different international levels ("cooperative sovereignty").

Acting in the era of globalization, we should be driven by maxim: "Think locally, act globally!". This means that there is no such thing as universal solution, same for all countries and all situations; it means that we can not treat all

processes mechanically, i.e. through mechanical transfer and transplantation of somebody else's ideas. When I say think locally, it means we should understand culture, tradition, influence of previous social system, way of thinking, development of institutions, etc. and thus define features of local environment. When we develop that framework of local environment, we should look for the solutions with global characteristics, i.e. products or services we are making must be attractive enough for investors and consumers from broader market, i.e. world market.

Consequently, today's paradigm lies on holistic approach, i.e. approach of totality; we could name it systematic approach. Everything is connected and inter-related! Any isolated solution to a problem, solution out of systematic and comprehensive context can only cause new problems! This is completely opposite to the way we often solve problems. Nonsystematic, narrow-purposed and improvised approach cause failures in solving problems; problems are not being solved even after few attempts and that's why we keep on dealing with same problems.

We could also learn from Bernard Shoen's warning: "Reasonable people are adapting to external world! Unreasonable people, however, are adapting external world to themselves! That's why progress depends on unreasonable people!"

We should abandon philosophy of blind obedience and submissiveness; we should not admire everything that is coming from abroad and adapt to it! It is adapting to the world from the past! All reasonable people similarly force people to adapt to the world that is dying. Our goal is not to blindly adapt to the circumstances, but to change those circumstances; to change the world around us; to adapt external world to ourselves! After tectonic and climate changes on the Earth, who knows how many millions of years ago, chaffinch adapted to the new circumstances; that's why chaffinch remained chaffinch for good. Our old-old-ancestor didn't blindly adapt to new circumstances, but he evolutionary changed circumstances, adapting them to his own needs – thus, he became human being!

In this context Montenegro should strive to adapt the circumstances to it; it shouldn't uncritically and blindly obey to the external circumstances. This logic will enable Montenegro to have something unique; to have its own brand; something that keeps Montenegro different. In contemporary global world small countries can sell only products that differ from common products; something that doesn't belong to McDonaldized world.

Why do I insist on that mental, intellectual and philosophical framework? Many of you think that my approach is too unpractical, non-profitable, don't you? Approach I am advocating doesn't activate! People are practical, reasonable, rational human beings – they are not interested in theory! Unfortunately, too many people think and behave this way! Short-term interests are driving force of those people; short-term interests are their compass. My personal opinion is that the key lies in mental framework of a man! Mental framework deter-

mines which ideas will be born in head of a man! *Ideas are of major importance!* Why is that so?

„Human behavior is not governed by ideas, but by material and ideological interests. However, our ideas are creating “notion of world”, which often plays decisive role, similar to the railroad switchman whose actions are determined by dynamics of interests.” (Max Weber)

Thus, we are introducing social relations (institutions) into analysis (through ideas); social relations are being tied to interests, which are driving individual actions! Analysis can be systematic and comprehensive only if it interconnects these two levels: level of ideas (social relations) and individual interests.

This mental framework gives us a big chance to be on the *track of globalization!* Dynamic of interests and power belonging to people on this track are different from all other tracks. The track we are going through determines our practical behavior. That's why it has more practical, then theoretical importance.

In my opinion there are two more elements important in order to determine strategic goals and undertake practical activities in Montenegro:

1. Technology, i.e. technical progress is in essence of globalization. Modern information technology opened processes in information economy; economy of knowledge and creativity! Development of information economy is a mean to achieve economic and social goals in global economy! In other words, *information_society* is natural environment of globalization! Discussing globalization out of that environment would be as efficient as swimming on the dry land! Two consequences of information society are important, among others. These two consequences are as follows: 1) Development of industry and industrialized society is not the future of Montenegro; 2) Information brings to the change of socio-economic relation and change power structure in a society. Producers and consumers, guided with emotions, dreams, passions and desires, are becoming important player in social scene instead of old and already tested bureaucrats and politicians. In other word, human imagination, inspiration, enthusiasm and humanity conquest new areas and new worlds! This, so called *emotional capital* becomes important factor of development and source of efficiency of “money” capital! It means that new information paradigm of development considers that key resources of society are people, their knowledge and creativity, and their interest not only in pure existence, but in their individual development and self-accomplishment.

2. In order to understand the character of global economy and its strength we must accept new approach to economics. This approach is being developed and promoted by Montenegrin economic school! But, it shouldn't be forgotten that Approach which still prevails among economists is classical approach. Classical view sees economics as a science which optimizes production within limits intruded by scarcity of resources. In other words the way classical view see science of economics rely on Robins' definition, which claim that the essence of economics is in maximizing utility with given resources.

This approach in economics is unfortunately fundament of government's economic policies, but it also often drives behavior of people in business. What is wrong with this approach in context of global economy? The emphasis is on scarcity of resources and on restrictions. If the focus is put on scarcity, limits, and restrictions, it is not wondering that each country, in order to develop its economic power, should keep its resources safe from external exploitation, and develop protectionist economist policy (high taxes, different treatment of domestic and foreign investors and companies, restrictions for foreigners to engage in certain activities, prohibitions for foreigner to buy land or real estate, etc.).

The essence of globalization lies in approach, which sees economy as *voluntary exchange*. In other words, in order to understand globalization, we should start from Buchanan's definition of *economics as science on exchange*. Two exchange partners are entering exchange transaction voluntarily and freely, and both partners are better off after the transaction is closed. Exchange brings benefits to both partners in exchange. According to this, *the goal of economics is to study relations and interdependence*. In order to exchange a good, you need to produce that good! That good must be produced in a way and with quality that satisfy needs of potential buyers; they must be ready to buy the good. It is really true what Peter Drucker says, value of a good originates from buyer; buyer is creating value of a good. A good will get its value only after it has been exchanged! In these circumstances, state should not maintain protectionist economic policy, but policies aimed to facilitate exchange; state should strive to create economic system that encourages individual actions.

If we accept (1) and (2) and having in mind starting paradigm of our mental framework, it is needed to undertake some concrete actions and change certain practical concepts. I'll give only few of them, emphasizing public resistance to accept them. But, I also want to emphasize that these proposals serve as a test to check whether politicians and public understand their own statements on globalization: all of them are speaking in favor of globalization, but the real question is if they are ready to accept these principles, to implement them and put them in motion through practice of real life. In order to be able to live in globalization framework, we should undertake some of following steps, instead of only talking about it:

1. *Education system must be reformed* on bases that are completely different from current bureaucratic and cosmetic changes. Main goal of school system has always been, and still is, to teach people how to obey system and its requirements! But the real question should be how to encourage individuality of people? How to move creativity of people? How to develop their thinking skills? The real question is how to educate people on basis of "history of future"? School and education system are basic foundation of the way of thinking! Is educational reform possible: (1) if we keep same teaching staff; 2) without financial and technological support?

2. *Science and research*, i.e. intellectual capital must be developed. We should establish completely new institutional structure and strengthen private initiatives in this field. It would be particularly important to develop biology, genetic, chemist, software, etc. in cooperation with well known world universities. In practical sense it would mean that we should found Institute for research of future; Prime Minister should appoint foreign advisor for development of science and research (it could be either Institute, or an individual from USA, Japan, Germany, or ...). Expenditures for science and research should amount to at least 5% of budget (which would be around 30 millions EUR in this moment, and is almost 25 times more than today)

3. We should connect Montenegro tightly through information systems and make strong networks. Along with transportation infrastructure, information systems' infrastructure is the most important perspective of development! We should bring level of computer use and development of information system networks to the level of mobile phone use in Montenegro!

4. English must be introduced as official language. We can expect neither foreign tourists, nor foreign investors if all of us are not speaking at least English, beside local language. English language is part of today's global culture and opponents to its introduction as official language, who argue that it would endanger national culture, practically show that they are against globalization.

5. Montenegro must be de-bureaucratized. Old system was based on bureaucracy. Bureaucratic system appears as a link for establishing interpersonal relations in society. Bureaucracy is for example intermediate between me, as a tax payer and somebody who gets social security. In other words, both, socialistic state and "welfare" state (which is the new dream of many people in Montenegro) are based on nationalization of private property and governance. Socialistic system and welfare state have same structure of relations between industry, military forces and bureaucracy, featured with hierarchical communication flows - following principles of subordination, superiority and executive obedience. Representative democracy which gives large power to insignificant majority exists within that framework. Bureaucracy disables individualization of society, and thus prevent establishment of main assumption of globalization. Bureaucracy is spreading spirit and behavior that turn young people away from logic of globalization; it turns them away from logics of information and entrepreneurial society; young people keep on living with logic that it is much better and much more important to get the job in bureaucratic system, then creative and entrepreneurial job in business, science, research etc.

As long as we have large bureaucracy, society can not be healthy. Bureaucracy is the cancer which can be moved only by a surgeon operation. In that sense we should undertake measures such as follows:

(a) Reduce number of directly employed in state (not including police, inspections and other field services) on 333, with requirement that each one of

those 333 employees, beside being an expert in his field, also knows at least two world languages and know to use information technology;

(b) Reduce the Government on 5-7 members, with requirement that Prime Minister is at most 35 years old, and Ministers are below 30; the government must function on e-government principle;

(c) Abandon military forces – we have 2000 soldiers. What do these 2000 soldiers mean? What is the purpose of having military force of 2000 soldiers?

(d) Abandon diplomacy or reduce it so to have only representatives in international organizations and associations. Why do we need diplomatic offices today, in the time when we can use great advantages of information networks and infrastructural connections between different parts of the world? What is the product of those diplomatic departments around the world? What benefits would we have from their existence, and how much cost would they cause?

(e) Drastically reduce number of employees in local government services and municipalities; introduce employment principles as same as on central government level

(f) Abandon all unnecessary or economically inefficient institutions in new system.

(g) Make changes in political system. Multiparty system is a base for further strengthening of so called political economy, i.e. domination of political parties over economy. That's why we need to adapt political system to size of Montenegro, its tradition and requirement of global economy:

- Use participative democracy principles much more (all citizens of Montenegro should take part in decision making);
- Abandon political parties on local, municipality level, since now individual political interests can be achieved on supranational level. What political interests citizens can achieve on local, municipality level?;
- Introduce presidential system, as a form of democracy suitable for a concept of micro-state.

6. Make changes oriented toward strengthening role of economic freedom. The goal Montenegro should strive to achieve is to become one of the top-ten countries with regard to the level of economic freedom. It means, among other things to undertake following steps:

- Complete abandoning of custom tariff rates, contingent claims and other non-tariff barriers of trade
- Introduction of flat tax – rate of 7%.
- Reduction of public spending on 25-30% GDP.
- Reduction of pension fund contribution and privatization of pension system.

- Provide free entry of all people coming to Montenegro from neighboring countries (with no passport control). Why would we keep people, cars, tourist buses, etc. on border with, for example, Croatia, when they have already been checked in Croatia, either when entering the country, or while living in it? I would address a question to opponents of this approach: why don't we check IDs of people who are entering Podgorica, coming from, for example, Niksic, Bijelo Polje? A tourist don't have to know when he enters, or go out of Montenegro.
- Business activities of all companies, banks and branches, registered in, for example, Western Balkan countries must be completely free from any kind of limits. The same principle should, however, be followed with regard to the citizens of Montenegro who founded company in Albania: the company can operate in Montenegro, without re-registering of company. This approach would introduce institutional competition among countries.
- Protection and security of property rights must be strengthen! The key role of state and judiciary system is to protect property. It means, among other things, to engage well-known foreign legal experts and judges in this area! Referendum experience confirms this, doesn't it?
- Reducing right of regulatory body to endanger interests of private capital and business through bureaucratization of their functions.
- In such a liberalized environment with low tax rates all cases of tax evasion, smuggling and corruption must be severely punished. One of the penalties that need to be applied in such cases is, for example, to take away the right to run a business from a violator, i.e. to disable violator from further operating the same business!
- Capital market must continue to develop and its role in economic development must strengthen.
- We should encourage freedom of entrepreneurial activities and develop institutions favorable for new entrepreneurs!

7. Labor market should be liberalized and competition on labor market must strengthen.

8. We should liberate ourselves from burden intruded by myth on importance of macroeconomics. This myth has bought us in position that macroeconomic stability is usually set to be key goal of economic policy! It is the area of large redistribution, but it also means that state keep all levers of monetary policy in its hands. As we believe that all problems can not be solved without our own production and development; only if we keep our budget balanced, we've reached the goal (and nobody asks why the budget is being balanced on certain

level). Macroeconomics totally pushed out microeconomics. Macroeconomics is important as much as it provides convenient environment for real (non-monetary) economy, whether that is production of goods, or services. That's why state must be put in function of development (production), and not consumption (macroeconomic stability).

These are just some of the measures we need to undertake if follow development approach based on future requirements of globalization and world market. My goal was to test way of thinking of a reader and show whether he agrees on this principles, or he does not. In a latter case he would have probably commented by now: this is unrealistic!

I will remind those on the maxim: how many things we have achieved in life seemed impossible before we have started to act!

7. Is internal globalization of Western Balkans possible?

The issue of integration of West Balkans is deliberately sharpened and has a goal to be as close as possible to the essence of forces that influence integration! It seems that discussions on so called free trade agreements, international contracts, etc. are the try of bureaucratic integration; attempt to combine many sick bodies into just one, which is under watchful supervision of already sick physician (state bureaucracy). It is just a way to deceive ourselves with conscious or unconscious goal not to change things significantly.

In my opinion we need to understand that globalization, EU and West Balkans requires changes of each individual, company and state! That change must happen from the inside; we should not expect changes to happen by themselves - from outside! The question raised by globalization and cosmopolites' world is *how to open national states and key institutions in society from inside and in bottom-up direction in order to give a long-term respond to challenges of global era.*

By giving example of Montenegro, I've tried to illustrate how far this approach is from current way of thinking and common results of state and economic policy; I've try to analyze what kind of changes should happen in heads of people in order to accept that new approach!

Even answer that it is not possible in Balkans, that this is a dream, is a step toward solution! The truth is that in order to solve a problem we must first dream about solution! Nothing is as realistic as a dream! Can we make American dream – “you can be somebody else” – true on Balkans?

References:

- Adler Alfred (1984) *Poznavanje čovjeka*, Matica srpska, Novi Sad.
Beck, Ulrich (2006) *Moć protiv moći u doba globalizacije*, Školska knjiga. Zagreb

- Dragičević Adolf, Dragičević Dražen (2006) Doba kiberkomunizma, Golden Market, Zagreb.
- Emerion M., Gros D (1999) The CEPS plan for the Balkans, CEPS, Brisel.
- John Horgan (2001) Kraj znanosti, Naklada Jesenski i Turk, Zagreb, 2001.
- Lakicevic, Dragan (2002) Arhipelag Balkana, IES, Beograd.
- Marover, Mark (2003) Balkan, Alexandria press, Beograd.
- Riderstrale, Jonas; Hordstrom, Kiel: Karaoke kapitalizam, Difero, Zagreb.
- Swedberg, Richard (2005) Načela ekonomske sociologije, Školska knjiga, Zagreb.
- The Balkans and New Europe Responsibilities, *Bertelsman Stiftung*, 2004.

Interna globalizacija zapadnog Balkana

Rezime: Koji su potencijalni i stvarni efekti procesa globalizacije ekonomskih veza između zemalja zapadnog Balkana? Šta predstavlja ključnu promenu u odnosima između zemalja zapadnog Balkana i njihovih privreda, koju neizbežno donosi globalizacija? Koji su elementi političke ekonomije globalizacije zapadnog Balkana? Šta su posledice konflikta između političkih i ekonomskih oblasti zapadnog Balkana? Rad se bavi nekim od ovih pitanja.

Ključne reči: Globalizacija, Tržište, Moć, Konkurencija, Transparentne granice

JEL: F02